

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6870**

**BILL NUMBER:** HB 1216

**NOTE PREPARED:** Dec 28, 2006

**BILL AMENDED:**

**SUBJECT:** Preferred Provider Plan Contracts.

**FIRST AUTHOR:** Rep. Hoy

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill specifies information related to a preferred provider plan that must be provided to a provider that participates in the preferred provider plan and to the Commissioner of Insurance. It prohibits certain contracts related to preferred provider plans. The bill provides that the terms of certain other contracts are void with respect to a provider that terminates the provider's contract to participate in the preferred provider plan. It makes a violation an unfair and deceptive act in the business of insurance.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** Individuals suspected of violating the prohibition on unfair and deceptive acts or practices in the business of insurance may be subject to a hearing by the Commissioner of Insurance. Adding a prohibition could increase the number of violations for which a hearing may ensue. However, the Department of Insurance (DOI) should be able to handle any additional expenses given its current level of budget and resources.

**Explanation of State Revenues:** As a result of the hearing, violators may be ordered to cease and desist from the unfair or deceptive act or practice, and the Commissioner may order the payment of a civil penalty of not more than \$25,000 for each act or violation. If the person knew or reasonably should have known that he or she was in violation, the penalty may be not more than \$50,000 for each act or violation. All civil penalties imposed and collected are deposited in the state General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:**

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